

Brussels, 18 October 2012

Re: EIB energy policy review – Counter Balance proposals

Dear President Hoyer, Executive Directors and Management Committee,

Following the recent announcement of the review of the EIB energy lending policy, Counter Balance would like to offer its views on what can make the next energy policy a successful one that delivers on the banks' multiple objectives, such as combating climate change, eradicating poverty and promoting sustainability.

The EIB is an able institution to promote the decarbonisation of the energy sector and our societies in general. To ensure this role is fulfilled both within the EU and abroad, we have outlined several "dos" and "don'ts" for the review of the energy lending policy.

We envision the EIB having an essential role in leading the EU towards its goals of decarbonisation and not one in which the EIB lends for large-scale fossil fuel infrastructure in neighbouring countries or sub-Saharan Africa.

Where the EIB invests outside the EU, it should ensure that energy projects address the needs of local people, avoiding export-oriented energy investments or energy-intensive industries like oil, gas and mining. The focus should instead be on poverty eradication.

Don'ts: what the EIB should not finance

- 1. Fossil fuels:** Fossil fuels contribute to climate change, and constructing new fossil fuel power stations will set countries on a path of emitting CO₂ for decades to come. The EIB should refrain from financing fossil fuel projects like power stations, pipelines, refineries, export terminals, gas liquefaction and regasification plants or storages. Companies involved in the dirtiest of fossil fuel projects like lignite, oil and tar sands should not receive EIB financing for any project.
- 2. Fossil fuel extraction:** For these reasons, the EIB should not finance the extraction of fossil fuels, especially highly controversial and destructive technologies like fracking and other methods for the use of non-conventional hydrocarbon extraction.
- 3. Carbon Capture and Storage:** Carbon sequestration is not an appropriate answer to the challenges posed by climate change challenge. Its economic and technical feasibility, along with its contribution to the environment, are suspect. Assuming the contrary supports a business-as-usual approach and distracts attention from proven solutions.
- 4. Hydropower stations:** The EIB should not finance hydropower stations above 10 MW in capacity and those which do not comply with recommendations of the World Commission on Dams. These include amongst others dams that affect water flows, wildlife migration, biodiversity, access to water and protected areas.
- 5. Nuclear:** The EIB has not financed construction of nuclear reactors since the 1980s, and this good practice should be safeguarded in the form of an official ban on lending for nuclear energy projects. Companies involved in nuclear energy projects should not receive EIB financing for any project. Additionally the EIB should cease indirect support for the nuclear industry by not supporting transmission lines

connecting nuclear units to the rest of the grid or network; safety upgrade measures that lead to the lifetime extension of nuclear units; the processing of nuclear fuel; or research and development in the area of nuclear power.

6. **Waste to energy:** Energy generated from waste cannot be classified as green, renewable or sustainable. Although it may be useful to exploit sources of energy that have so far not been utilised, these dated, end of pipe waste management technologies are inferior options in the EU waste hierarchy.
7. **“Green” refineries:** The EIB should not support projects that convert existing refineries into so called “green” or “bio” refineries for agrofuels. These agrofuels promote monocultures and are often imported from developing countries. The refineries are an incentive to land grabs and negatively impact local community development and the environment.

Dos: what the EIB should finance

1. **Energy efficiency:** Reducing energy consumption in industrialised countries is one of the most important steps to combat climate change. Given the huge potential for energy efficiency in the housing and industrial sectors, the EIB can provide significant value-add by investing in projects that reduce the consumption of energy. At the same time, the EIB should always assess whether energy gains might produce rebound effects, like whether energy savings are nullified by more energy use through an increase in automobile or plane transportation and so on.
2. **Renewable energy:** The switch to sustainable energy production requires significant investments. The EIB should help finance renewables that firstly target local demand, and energy exports should not occur before energy is made available to local populations. Moreover, renewables do have the potential to harm environments and communities, so any renewable energy project should be based on the free, prior and informed consent of local communities. Such projects should also be small in scale and decentralised. Attached a set of criteria to limit the possible negative impacts of renewable energy sources. CEE Bankwatch Network came up with a set of criteria, which we attach.
3. In both instances, it is important to assess the possibilities of better integrating policy, technical assistance and lending in order to increase energy efficiency and renewable energy demand.

Three additional recommendations follow:

CO2 emissions monitoring

The EIB should disclose direct and indirect emissions induced by its projects and/or their energy efficiency potential. The EIB should assess the potential for greenhouse gas reductions over the lifetime of all its projects and publicly disclose this information. Information about emissions savings and released emissions should be an integral part of project assessment and approval. If monetised and properly reflected in project costs, the advantage would go to low- and zero-carbon renewable projects.

Policy coherence

The EIB should ensure that its energy lending does not contradict horizontal EU objectives including poverty eradication, biodiversity protection, human rights and the promotion of democracy.

Financial intermediaries

All recommendation outlined here should apply not only to direct lending but also lending through financial intermediaries.

Thank you in advance for the positive consideration of these recommendations. We remain at your disposal to further clarify the issues outlined in this letter will get back to you more explicitly on some of the questions posed in the issue paper. We are looking forward to discussing these points during the upcoming review of the energy lending policy.

Sincerely,



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